

To: Kent City Council Parks Committee

From: R. D. Pete Petersen Jr. – Supt. of Golf Operations

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Subject: Riverbend Golf Complex

National and Regional Golf Trends

According to the National Golf Foundation from 2000 to 2010 the annual number of rounds of golf played nationwide decreased by 9.5%, sighting the economy as the biggest influencing factor. Additionally, rounds of golf played nationwide decreased by 3.5% from 2010 to 2011. This downward trend in the nationwide rounds played started in 2004 and continued to grow as the economy slowed. For the most part, golf courses in Western Washington started to experience the downward trend in 2007.

Since 2007, Western Washington golf courses have felt the impacts of the economy and the weather. The majority of Western Washington golf courses have seen a significant decrease in play since 2007. On average, the typical golf course in Western Washington has seen a 15-20% decrease in play from 2007 to 2011. In addition to the downward trend of the economy, the weather in Western Washington the past two years has had a significant impact on the number of rounds played. In 2007, there were 95 out of 261 (36.3%) week days with rain and 35 out of 104 (33.7%) weekend days with rain compared to 2011, with 141 out of 260 (53.8%) week days with rain and 57 out of 105 (54.2%). Over the past two years, Western Washington golf courses have been faced with a 40% increase in number of week days with rain and more than a 50% increase in the number of weekend days with rain, compared to 2007.

Annual rounds of golf at Riverbend's two golf courses have not been immune to the recent impacts of the economy and effects of the weather. Since 2007, the annual number of rounds of golf played at the 18-hole course have decreased by 12.7%, which is slightly better than the average course in Western Washington. The Par 3 golf course, because of the different customer base, has seen a larger decrease in

the annual number of rounds of golf played. Since 2007, The Par 3 golf course has experienced a decrease of 20.5% in the annual number of rounds played, which is approximately the average decline for 9 hole and Par 3 golf courses in Western Washington since 2007.

Riverbend and the City of Kent are not the only municipal golf course struggling with the challenges and impacts of the economy and the recent weather. The cities of Auburn, Renton, Tukwila, Sumner and Maple Valley all face similar challenges and have seen similar reductions in the number of annual rounds of golf played since 2007.

Working Through Challenges at Riverbend

Since 2007, Riverbend has overcome several additional challenges and impacts to play in addition to the economy and weather. In 2008, the 18-hole golf course was impacted by the Green River Levee Improvement Project, resulting in the closure of the front nine with several holes being remodeled. Play at the 18-hole golf course was restricted to nine holes for the last four months of 2008 and the first three months of 2009. The 18-hole golf course re-opened the front nine in April of 2009.

In late June 2009, the well that supplies the golf complex with irrigation water failed. This forced the golf complex to connect to a fire hydrant and purchase water from the Water Department for the remainder of the season at a cost of \$50,000.

Riverbend faced the challenge of re-seeding the three new greens that were built during the remodel of the front nine in 2008 because of severe freezing temperatures and winter desiccation. The damage to the three new greens was so severe that the course was forced to place temporary greens on those holes for the first five months of 2010, which had an impact to both rounds of golf played and revenue.

Due to financial hardship, the Fire Creek restaurant closed at the end of February 2010. The impact of not having a sit down restaurant and bar for golfers, plus no food service for tournaments and events had an impact to both rounds of golf played and revenue. Mick Kelly's began catering tournaments in early August and re-opened the restaurant at the end of August.

In addition to the challenges of re-seeding the three new greens, closure of the Fire Creek, the continuing situation of the failed irrigation well, the effects of the down economy and weather are having impacts on rounds of golf. Even though the weather was wetter and milder throughout the growing season, the golf complex was forced to purchase \$70,000 worth of water to provide irrigation to the golf

complex in 2010. As a result of the wetter than normal weather pattern throughout most of 2010, both golf course experienced several record low monthly rounds of golf total, as well as record low number of annual rounds of golf played at both golf courses.

Beginning in July of 2010, a 5% admissions tax was placed on green fees at the golf complex. Fees were raised without pricing green fees above the market, which would have a negative effect on rounds of golf played. In all, the complex was not able to capture all of the new admissions tax expense with increased revenue. In addition to the admissions tax, there was an internal service fee for Finance and Legal support re-established as an expense within the Riverbend budget.

Positive signs

In 2011, the Riverbend 18-hole golf course was one of very few courses in Western Washington that posted an increase in the number of annual rounds played, as well as an increase in revenue. Driving range business continued to increase in 2011, which resulted in a 13% increase in revenue over the previous year. Additionally, merchandise sales increased in 2011 with a 13% increase in sales. Overall in 2011, the golf complex posted a 5% increase in revenue compared to 2010.

2011 was also the first year that the complex did not have a debt service payment, as the original debt for the construction of the 18-hole course and clubhouse was paid off in 2010.

Despite the impacts of the economy, weather, and challenges faced by the golf complex the past few years, the Riverbend Men's Club was able to increase its membership by more than 10% in 2011. While according to the Washington State Golf Association, most member clubs in the state saw a decrease in membership in 2011. Through a partnered effort, the Riverbend Men's Club has increased from 335 members in 2007 to 594 members in 2011, which equals a 77% increase in membership over the past 4 years.

All things considered, the Riverbend Golf Complex is well positioned to turn the corner as the economy improves. Options are listed below in the report that should be considered as we seek to place Riverbend on a sustainable path forward with the ability to withstand the ups and downs of a weather dependent service like golf.

Innovation

In an effort to continue to increase rounds of golf played and driving range business during these challenging times in the golf industry, Riverbend utilized several different means of multimedia to attract new customers.

Staff at Riverbend has established an email data base and utilize it through weekly email blasts and updates. They have also developed a text messaging program which is used to promote tee time specials during periods of slow play. In addition, Riverbend has successfully utilized Golf Now, Groupon, Living Social and Amazon Local to promote specials at the golf course, as well as at the driving range to attract new customers and increase revenue during non-peak times. All of these new marketing approaches have resulted in new business. Riverbend is considered by many as a leader in marketing and promoting in the local golf industry.

2012 Operations

For 2012, the golf complex has implemented several operational changes to reduce expenses. In an effort to reduce staffing costs at the driving range and merchandise center, shifts have been combined, resulting in a 40% reduction in staff costs during the off season months. At the Par 3 golf course, hours of operation have been modified to match that of the main customer base, resulting in a 5% reduction in staffing costs. At the 18-hole golf course, the golf cart lease was extended an additional year rather than leasing new golf carts and will result in a savings of over \$8,000 compared to 2011. Additionally, the golf complex has worked with the Teamster Union and developed an alternative work schedule for the maintenance staff that reduces overtime. The alternative work schedule was implemented in April of 2011 and reduced maintenance staff overtime by over 70% compared to 2010. With the same work schedule in place for 2012, the golf complex projects an additional 55% reduction in overtime. With these operational changes and additional reductions in spending, the golf complex is projecting an 8% reduction in expenses controlled by the golf complex for 2012.

In January, the golf complex implemented a plan to increase revenue by an additional \$120,000 for 2012. After conducting market research and comparing the rates of other area golf courses and driving ranges, the golf complex raised a portion of the rates to market level. This additional revenue assumed the same levels of participation at the golf complex. There were some increases of both offseason and peak season rates at both golf courses. These increases move the golf complex closer to the top of the market, but still remain competitive with other area golf courses. Additionally, some of the rates at the driving range and miniature golf were increased to bring the golf complex closer to the top of the market, while still remaining competitive with other area driving ranges.

Options for a Sustainable Future 2013 and beyond

Looking at next year and beyond, there are four broad categories of options to address the net operating loss of the last two years and create a more stable and sustainable future for the golf complex.

- Option 1 Revise the Operational Model for Riverbend. These revisions could range from subtle to significant. A number of subtle changes are currently underway including an agreement with Teamsters to adjust the work schedule of the maintenance staff that allows the complex to drastically reduce overtime. An example of a more significant revision to the Operating Model would be considering the sale of or outsourcing of the Par 3 portion of the golf complex. Significant revisions such as this would need to be further explored to best determine if there would be a net operational benefit.
- Option 2 Recognize the public value provided by Riverbend and contribute proportionate support via the General Fund. The golf complex provides a number of public benefits including open space, natural storm water retention, economic benefits for area hotels and businesses, as well as public good via space for youth golf programs, and high school golf teams.
- Option 3 A combination of the first two options of Operating Model revisions and General Fund support.
- Option 4 Outsourcing the entire operation of the Riverbend Golf Complex to a third party via a lease or management agreement. City responsibilities for needed capital improvements and annual operational support would need to be negotiated into any agreement.

Any option or combination of options that we pursue must address all three of the following aspects to achieve the sustainable future we are looking for:

- 1. Create a **positive annual operating cash flow** that can weather the ups and downs of the golf market.
- 2. Create the ability to **make the needed capital reinvestments**. The golf complex is entering its 23 year of operation, even though it has continued to be among one of the most utilized public golf facilities in the state there are capital improvements that need to be made.
 - Short-term capital needs include; drilling a new well to supply irrigation water or connecting the city main line, repaving sections of the cart paths,

replacing the aging irrigation sprinkler heads and controllers, installing additional on-course drinking fountains, improving on-course restrooms and installing new bunker sand.

Long-term capital needs include; replacing the aging fleet of maintenance equipment, resurfacing the driving range field, rebuilding the 11th and 14th greens, building a permanent structure for tournaments and events, building a new structure to operate the Par 3 golf course, driving range and merchandise center in one location.

3. **Pay off the loan** from the Fleet Services Fund.

In closing, this operational update is an opportunity to initiate further discussion about the golf course. Staff will prepare more information on the operating options to be part of the 2013/14 Biennial Budget. Updates will be provided to the Parks Committee and other Council Committees throughout the budget process.